



County of Los Angeles CHIEF EXECUTIVE OFFICE

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Chief Executive Officer

June 12, 2009

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To: Supervisor Don Knabe, Chairman
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From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

This memorandum contains a summary of actions taken by the Conference Committee and the status of two County-advocacy bills.

State Budget - Conference Committee Actions

Today, the Conference Committee adjourned after completing a first review of the budget agenda. The Committee will reconvene upon call of the Chair who has announced her intent to complete the Committee actions by June 15, 2009. The Conference Committee held several items open which will be taken up when the Committee reconvenes. Listed below are actions on items of importance to the County including items held open.

The Attachment contains the estimated County impact of the Governor's May Revision Proposals and the Budget Conference Committee actions to date.

General Government

Suspension of Proposition 1A of 2004. The May Revision proposed to borrow \$1.98 billion from local governments through the suspension of the Protection of Local Government Revenues Act of 2004 (Proposition 1A). Both Democratic and Republican members of the Committee expressed reservations about the use of the Proposition 1A suspension option as a mechanism to solve the State Budget deficit, because it would merely borrow from counties, cities, and special districts and would not provide a permanent solution. Committee members expressed frustration with the Administration for not providing the proposed trailer bill language until the item was presented. **The Conference Committee held this item open.**

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Based on property tax collections for FY 2008-09 and assuming that each jurisdiction will contribute the maximum 8 percent, **it is estimated that at least \$301.9 million in County General Fund revenues is at risk.**

Mental Health

Early and Periodic Screening, Diagnosis, and Treatment Services (EPSDT). The May Revision proposed to save the State General Fund \$92 million for Mental Health Managed Care and for the EPSDT program. **The Department of Mental Health indicates that it believes the reduction in EPSDT funding will not have a direct impact to the County as the reduction reflects a revision in the amount of growth that the State is projecting from caseload increases in FY 2009-10 and the State Budget contains an overall funding increase from the FY 2008-09 level.**

Social Services

Child Welfare Services (CWS). The May Revision proposed a 10 percent reduction in County funding for CWS Administration. **The Conference Committee rejected this proposal which would have resulted in an estimated County loss of \$14.3 million.**

Reduction in Foster Care Rates. The May Revision proposed a 10 percent reduction to provider rates for Group Homes, Foster Family Agencies, Supplemental Clothing Allowance, and Specialized Care Increment. **The Conference Committee adopted the rate reductions for Group Homes, and Foster Family Agencies but rejected reductions to the Supplemental Clothing Allowance and Specialized Care Increment.**

According to the Department of Children and Family Services (DCFS), this action results in an estimated savings of \$8 million to Waiver programs, and savings of \$4.3 million for non-Waiver programs for a total of \$12.3 million savings in FY 2009-10.

Adoption Assistance Program (AAP). The Legislative Analyst's Office (LAO) proposed reforms to change the AAP eligibility definition, grant levels, and to tie benefit levels to need, rather than providing automatic increases based on the age of the child for a State General Fund savings of \$2 million. **The Conference Committee approved the recommendation to tie increases in AAP payments based on the need for a State General Fund savings of \$900,000. DCFS is assessing the impact of this reduction.**

Transitional Housing Program Plus (THP-Plus). The May Revision proposed funding of \$40.8 million for THP-Plus in FY 2009-10. THP-Plus provides supportive services to assist emancipated foster youth successfully transition to adulthood. **The Conference Committee reduced funding for this program by \$5 million. DCFS indicates that this action will result in an estimated annual County loss of \$314,000.**

Public Safety

Trial Court Funding. The May Revision proposed an additional reduction to the Trial Court Trust Fund of \$168.6 million. **The reduction was adopted by the Conference Committee as an unallocated cut without specifying what functions would be affected by the reduction.** This action, in addition to a 10 percent reduction included in the FY 2009-10 State Budget Act, brings the total unallocated reduction for trial courts in FY 2009-10 to \$393.3 million. **The Conferees will examine options to achieve the savings to the courts required by the unallocated reduction.**

On May 19, 2009, the Los Angeles County Superior Court announced the mandatory closure of the courts one Wednesday a month effective July 15, 2009, in response to budget constraints. This action is expected to save the County Superior Court \$18 million. The total estimated shortfall for the County Superior Court is \$90 million in FY 2009-10.

The Department of Public Health indicates that this proposal will reduce court supervision for nonviolent drug offenders in the County's Drug Court and Proposition 36 Program, which is proposed for elimination in the May Revision, resulting in higher relapse rates among these offenders and an increased burden on local emergency medical, psychiatric, addiction treatment, and law enforcement services.

Transportation

Redirection of Gasoline Excise Tax. The May Revision proposed to redirect \$986.3 million in gasoline and diesel excise taxes to transportation-related General Obligation Bonds, of which \$745 million is proposed to be ongoing. **The Conference Committee adopted this proposal, but only for FY 2009-10 and FY 2010-11, for a total amount of \$1.73 billion.** One-half of this amount would be borne by counties. **The Department of Public Works (DPW) indicates this proposal represents a \$109 million loss to the department in FY 2009-10, and \$82 million in FY 2010-11.**

The Conference Committee also adopted a proposal to borrow \$135 million in FY 2009-10 from the State Highway Account which will be repaid in the future.

Partial Suspension of Proposition 42. The LAO proposed to partially suspend Proposition 42 in FY 2009-10 for General Fund savings of \$1.153 billion. **The Conference Committee rejected the proposal.**

Proposition 1B for Local Streets and Roads. The Conference Committee approved the May Revision proposal to appropriate the remaining \$700 million in Proposition 1B funds in the Local Streets and Roads category to cities and to counties. Counties would receive approximately \$443 million, and cities would receive the remainder. **The final Proposition 1B payment to DPW is \$85 million.**

Natural Resources

State Park System. The May Revision proposed to eliminate all State General Fund support for the State Park System, including \$70 million in FY 2009-10 and \$143 million in FY 2010-11. This proposed action would result in the closure of 220 parks. The Committee held a lengthy discussion on the value of State Parks to Californians, and the members indicated that they hope to arrive at a bi-partisan solution to keep the parks open. The LAO recommended increasing fees to yield \$25 million in revenues which would help keep at least some of the parks open. **The Conference Committee held this issue open.**

Open Conference Items

The following items of interest to the County were left open:

- In-Home Supportive Services (IHSS) reductions for an estimated County savings of \$200 million;
- Reduced State participation in IHSS wages to \$8.00 per hour; plus \$0.60 per hour for benefits for an estimated County savings of \$26.1 million;
- CalWORKs Reform and Safety Net proposals for an estimated County loss of \$27.2 million;
- Redirection of County Social Services Realignment Funds for an estimated County loss of \$234,706 million;
- Elimination of the Cash Assistance Program for Immigrants for an estimated County cost of \$10.3 million;

- Suspension of SB 90 Mandate Claims for an estimated County loss of \$16.8 million;
- Elimination of Community Based Services Programs for an estimated County loss of \$1.1 million; and
- Subventions for Open Space (Williamson Act) for an estimated County loss of \$36,000.

Status of County-Advocacy Legislation

County-opposed AB 1409 (Perez) which, as amended on June 2, 2009, would revise the provision in existing law that authorizes work on county highways to be done by purchasing the material and having the work done by force account or by day labor, passed the Assembly Floor by a vote of 66 to 9 on June 3, 2009, and now proceeds to the Senate. The amendments on June 2, 2009 define "day labor" as non-permanent, part-time, or temporary employees who are not represented by a collective bargaining unit and "force account" as full-time or permanent county employees, or part-time or temporary employees who are represented by a collective bargaining unit.

County Counsel is concerned that the bill creates definitions for both "day labor" and "force account" that are different than existing law. According to County Counsel, these new definitions could create ambiguity and may actually prevent work from being performed by represented county workers because the projects could get tied up in litigation. County Counsel indicates that the current language would overrule existing case law and impacts all statutes that cite either of these terms, and may lead to litigation and legislation concerning other jurisdictions, such as special districts. County Counsel is also concerned that the bill could cause litigation over the definition of represented parties, unions, projects, and programs, and could ultimately create unanticipated consequences which cannot be fully predicted. County Counsel recommends technical changes to eliminate or minimize these concerns, while retaining the intent of the author.

The Department of Public Works indicates that while the latest amendments to AB 1409 would not prohibit work by Los Angeles County employees who are represented by a collective bargaining unit on County roads and highways, the bill would have the unanticipated consequence of negatively impacting other government agencies. As passed by the Assembly, AB 1409 does not authorize counties to use work programs that utilize juvenile and probationary workers under supervision of the Probation Department and could also impact the use of workers from other programs such as the Sheriff Early Release, Fire Department camp crews, court referrals or wards of the

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court, and general relief workers. DPW recommends a change of County position on AB 1409 from oppose, to oppose unless amended to delete the definitions of day labor and force account, and add language to specifically allow work to be done with labor provided by county employees who are represented by a collective bargaining unit, volunteers, participants from the California court system, or participants from any government employment program or general relief, and this office concurs. Therefore, **the Sacramento advocates will oppose AB 1409 unless amended.**

County-opposed unless amended SB 696 (Wright), which would overturn the Superior Court decision in *Natural Resources Defense Council v. South Coast Air Quality Management District* (SCAQMD) (Super. Ct. Los Angeles County, 2007, No. BS 110792), which ruled that the SCAQMD violated California Environmental Quality Act (CEQA) when adopting Air Quality Management District (AQMD) Rule 1315 and amending Rule 1309.1, and would exempt future SCAQMD rule changes from compliance with CEQA and authorize the SCAQMD to allow profit-making power plants access to air emission credits previously reserved for government and exempt entities, was amended on June 9, 2009.

The technical amendments list the actual number of credits owned by the SCAQMD and would require the SCAQMD to post its internal credit accounts, including debits, credits, and balances on its internet website. However, the bill continues to abrogate the Superior Court decision cited above, exempt from CEQA SCAQMD's rulemaking with respect to Rules 1315, 1309.1 and 1304, and allow the private sector, specifically power plants, access to emission reduction credits that were previously available only to public entities for essential public services. Therefore, the Sacramento advocates will continue to oppose SB 696 unless amended to remove the broad categorical CEQA exemption for the SCAQMD.

SB 696 is set for a hearing in the Senate Energy, Utilities and Communications Committee on June 16, 2009. The bill still contains an urgency clause which requires a two-thirds vote for passage. The Sacramento advocates and a County Counsel representative will attend the Committee hearing to advocate against the bill.

We will continue to keep you advised.

WTF:GK
MR:VE:sb

Attachment

c: All Department Heads
Legislative Strategist

**ESTIMATED IMPACT TO LOS ANGELES COUNTY
FROM THE FY 2009-10 STATE BUDGET PROPOSALS**

<u>Programs:</u>	<u>Governor's May Revision Proposals</u>	<u>Budget Conference Committee</u>
<u>Health</u>		
Medi-Cal Eligibility for Legal Immigrants	(1,100,000)	OPEN
Elimination of the Healthy Families Program	(1,500,000)	OPEN
<u>Public Health</u>		
HIV/AIDS Treatment and Prevention	(5,890,000)	OPEN
Alcohol and Other Drug Programs/Drug Medi-Cal Program	(3,900,000)	OPEN
Proposition 36 Program/Offender Treatment Program	(27,000,000)	OPEN
Maternal, Child and Adolescent Health Program Reductions	(1,366,000)	OPEN
CalWORKs Substance Abuse Programs Funding Loss	(16,400,000)	0
<u>Mental Health</u>		
Mental Health Managed Care Program	(21,000,000)	(21,000,000)
Mental Health Services Act (Proposition 63) Funds	0 ⁽¹⁾	--
Early Periodic Screening, Diagnosis and Treatment Funds	(7,000,000)	0
Elimination of the Healthy Families Program	(10,000,000)	OPEN
CalWORKs Mental Health Services Funding Loss	(24,400,000)	0
Deferral of AB 3632 Program Payments	(12,400,000)	(12,400,000)
<u>Social Services</u>		
Reduced State Participation in IHSS Wages	26,100,000 ⁽³⁾	OPEN
IHSS Program - Reduction of Recipient Services	200,000,000 ⁽⁴⁾	OPEN
CalWORKs Program Reform & Safety Net Proposals	(27,200,000)	OPEN
CalWORKs Program Elimination	(389,800,000) ⁽⁵⁾	0
CalWORKs Single Allocation Funding Loss	(585,200,000)	0
Cash Assistance Program for Immigrants (CAPI) ⁽²⁾	(10,300,000) ⁽⁶⁾	OPEN
Child Welfare Services Administration ⁽²⁾	(14,300,000)	0
Provider Rate Reductions	13,400,000	12,300,000
Redirection of Sales Tax Realignment Funds	(234,706,000) ⁽⁷⁾	OPEN
Elimination of Community Based Services Programs	(1,100,000)	OPEN
Reduction in Transitional Housing Program Plus Funds	0	(314,000)
<u>General Government</u>		
Suspension of SB 90 Mandate Claims	(16,853,000) ⁽⁸⁾	OPEN
Subventions for Open Space (Williamson Act)	(36,000)	OPEN
Reduction of Local Share of Gasoline Taxes - Public Works	(109,000,000) ⁽⁹⁾	(109,000,000)
TOTAL	(\$1,280,951,000)	(\$130,414,000)

Notes:

- (1) There is no impact because voters rejected Prop. 1E which would have redirected Mental Health Services Act monies to fund State mental health costs.
- (2) These May Revision proposals affecting social services programs assume an effective date of October 1, 2009.
- (3) Reflects savings from reducing IHSS provider wages in the County to the minimum wage. If the County maintains current wage, NCC would increase by \$40.7 million.
- (4) Proposal would result in net County cost savings because of reduced IHSS recipient services.
- (5) Estimate assumes 50% of CalWORKs recipients apply for and are determined eligible for the County's General Relief Program.
- (6) Estimate assumes 100% of CAPI recipients apply for and are determined eligible for the County's General Relief Program.
- (7) Reflects redirection of anticipated Sales Tax Realignment revenue savings from the elimination of the CalWORKs and IHSS Programs to fund increased share of County costs for Child Welfare and Foster Care.
- (8) Estimate is based on FY 2007-08 SB 90 Mandate Claim amounts excluding the Sheriff's Department and the District Attorney claims.
- (9) Loss of local share of gasoline taxes would result in a loss of an additional \$82 million in FY 2010-11.

This table represents the estimated loss/gain of State funds based upon the May Revision proposals, and Conference Committee actions. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.